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CENTRAL INTELLIGENCE GROUP

114443

INTELLOFAX 43

INTELLIGENCE REPORT

COUNTRY Germany (Russian Zone)

SUBJECT Potato Harvest and Manufacture of Potato Spirits

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SUPPLEMENT

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1. The Central Administration for Trade and Supply in the Soviet zone is negotiating with the Central Administration for Transportation about the shipment and distribution of the 1947 harvest.
2. The figure for the potato harvest for 1947 was given by the department of Trade and Supply as 4.7 million tons. Of this amount 3.1 million tons are to be distributed among the civilian population of the Soviet zone and the Soviet sector of Berlin, which corresponds to a ration of one pound a day per person over a period of ten months. Six hundred thousand tons of potatoes have been earmarked for industrial purposes, inclusive of the manufacture of beverage spirits.

25X1X [REDACTED] Comment: The 1946 potato harvest yielded 9.2 million tons. Although the figure of 4.7 million tons was given as the "Gesamt-Ernteertrag" for 1947, there is no question that this year's potato harvest will amount to at least 8 million tons. It may be assumed that the 4.7 million tons represent the total amount of potatoes for which transportation is required and that the difference between this figure and the actual yield will be left to the farmers for seeding purposes and for fodder. The normal consumption of the rural population had, however, already been included in the 4.7 million tons.

3. The SED has taken an increasingly strong stand against the use of potatoes for the manufacture of spirits and has aired the subject in public meetings, in the press, and in the legislatures. The Central Administration for Finance believes that this campaign is being carried on with the tacit approval of the SMA, and that a considerably smaller amount of potatoes will be used for the manufacture of spirits during 1947-48.
4. Up to now, the main income of the states was derived from the tax levied on spirits; a drastic reduction in this source of income would pose the question from what other source reparations payments should be drawn. The SMA is alleged to have an extremely large

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reserve fund, representing last year's fiscal surplus; however, no exact figures are known, since not a single German has had an opportunity to look into the matter, about which, apparently, only one or two Russian officials of the SMA Karlshorst are fully informed.

5. In view of this large surplus, it is thought likely by the department of Finance that the SMA will consent to the partial elimination of the tax on spirits, at least for the present, particularly since this would help to strengthen the SED, which would be able to point out that the reduction in the amount of potatoes used for spirits had been achieved through the party's efforts.

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